

**REPORT OF THE AUDIT OF THE
SIMPSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administrative Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Simpson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SIMPSON COUNTY FISCAL COURT

June 30, 2009

Tichenor & Associates, LLP has completed the audit of the Simpson County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$8,158,658 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,492,823 in its governmental activities as of June 30, 2009, with total net assets of \$8,124,461. In its business-type activities, total net cash and cash equivalents were \$34,197 with total net assets of \$34,197. The fiscal court's discretely presented component unit had unrestricted net assets of \$174,167 as of June 30, 2009, with total net assets of \$426,769. The fiscal court had total debt principal as of June 30, 2009 of \$10,629,137 with \$618,026 due within the next year.

Report Comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Deposits:

The fiscal court's deposits as of August 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$574

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC insurance.

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TICHENOR & ASSOCIATES, LLP
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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jim Henderson, Simpson County Judge/Executive

Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Simpson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Simpson County Tourism Commission, a discretely presented component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Simpson County Tourism Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Simpson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

The Simpson County Fiscal Court has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison schedules. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Simpson County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2010 on our consideration of Simpson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2010

SIMPSON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Jim Henderson	County Judge/Executive
Kelly Banton	Magistrate
Larry Randolph	Magistrate
Marty Chandler	Magistrate
Charles McCutchen, Sr.	Magistrate

Other Elected Officials:

Sam Phillips	County Attorney
Robert Huber	Jailer
Bobby C. Phillips, Jr.	County Clerk
Jan J. Murphree	Circuit Court Clerk
Gene Starks	Sheriff
Pam Womack	Property Valuation Administrator
Thomas Crafton	Coroner

Appointed Personnel:

Julie Freeman	County Treasurer
Nicole Wilson Law	Finance Officer/Occupational Tax Administrator
Mary Beth Farley	Jail Administrative Assistant/Bookkeeper

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SIMPSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,495,090	\$ 34,197	\$ 2,529,287	\$ 153,558
Receivable				22,178
Total Current Assets	2,495,090	34,197	2,529,287	175,736
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation:				
Land and Land Improvements	1,507,463		1,507,463	74,500
Buildings	11,316,305		11,316,305	122,847
Other Equipment	695,492		695,492	48,299
Vehicles and Equipment	546,925		546,925	6,956
Infrastructure	2,192,323		2,192,323	
Total Noncurrent Assets	16,258,508		16,258,508	252,602
Total Assets	18,753,598	34,197	18,787,795	428,338
LIABILITIES				
Current Liabilities:				
Financing Obligations Payable	93,663		93,663	
Payroll Taxes Payable				1,569
Bonds Payable	524,363		524,363	
Total Current Liabilities	618,026		618,026	1,569
Noncurrent Liabilities:				
Financing Obligations Payable	963,619		963,619	
Bonds Payable	9,047,492		9,047,492	
Total Noncurrent Liabilities	10,011,111		10,011,111	
Total Liabilities	10,629,137		10,629,137	1,569
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,629,371		5,629,371	252,602
Restricted for:				
Debt Service	38		38	
Encumbrances	2,229		2,229	
Unrestricted	2,492,823	34,197	2,527,020	174,167
Total Net Assets	\$ 8,124,461	\$ 34,197	\$ 8,158,658	\$ 426,769

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,185,399	\$ 283,346	\$ 908,945	\$ 93,673
Protection to Persons and Property	2,930,299	1,841,831	339,373	
General Health and Sanitation	331,406	10,470		
Social Services	16,722			
Recreation and Culture	399,956			
Roads	598,192		1,049,382	
Interest and Fees on Debt Service	530,469			
Capital Projects	90,694			
Total Governmental Activities	8,083,137	2,135,647	2,297,700	93,673
Business-Type Activities:				
Jail Canteen	235,616	210,982		
Total Business-Type Activities	235,616	210,982		
Total Primary Government	\$ 8,318,753	\$ 2,346,629	\$ 2,297,700	\$ 93,673
Component Unit:				
Simpson County Tourism Commission	\$ 157,472	\$	\$	\$
Total Component Unit	\$ 157,472	\$	\$	\$

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational License Tax
Other Taxes

Excess Fees

Gain on Sale of Assets

Miscellaneous Revenues

Interest Earned

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
\$ (1,899,435)	\$	\$ (1,899,435)	\$
(749,095)		(749,095)	
(320,936)		(320,936)	
(16,722)		(16,722)	
(399,956)		(399,956)	
451,190		451,190	
(530,469)		(530,469)	
(90,694)		(90,694)	
(3,556,117)		(3,556,117)	
	(24,634)	(24,634)	
	(24,634)	(24,634)	
(3,556,117)	(24,634)	(3,580,751)	
			(157,472)
			(157,472)
881,740		881,740	
207,881		207,881	
151,524		151,524	
1,879,241		1,879,241	
412,296		412,296	116,057
707,381		707,381	
20,191		20,191	
226,878		226,878	24,125
24,188		24,188	3,152
4,511,320		4,511,320	143,334
955,203	(24,634)	930,569	(14,138)
7,169,258	58,831	7,228,089	440,907
\$ 8,124,461	\$ 34,197	\$ 8,158,658	\$ 426,769

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,701,802	\$ 418,003	\$ 103,738	\$ 265,003
Total Assets	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 743	\$ 1,287	\$ 99	\$
Unreserved:				
General Fund	1,701,059			
Special Revenue Funds		416,716	103,639	265,003
Debt Service Fund				
Total Fund Balances	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 6,544	\$ 2,495,090
<u>\$ 6,544</u>	<u>\$ 2,495,090</u>
\$ 100	\$ 2,229
	1,701,059
6,406	791,764
<u>38</u>	<u>38</u>
<u>\$ 6,544</u>	<u>\$ 2,495,090</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 2,495,090
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	21,241,144
Accumulated depreciation	(4,982,636)
Long-term debt is not due and payable in the current period and, Therefore, is not reported in the funds.	
Financing obligations	(1,057,282)
Bonds	<u>(9,571,855)</u>
Net Assets of Governmental Activities	<u>\$ 8,124,461</u>

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,347,995	\$	\$	\$
In Lieu Tax Payments	40,281			
Excess Fees	108,636			
Licenses and Permits	113,832	10,470		
Intergovernmental	1,046,800	916,124	1,961,265	133,258
Charges for Services	3,957		60,284	
Miscellaneous	260,414	61,975	90,237	
Interest	13,599	3,582	951	6,019
Total Revenues	<u>4,935,514</u>	<u>992,151</u>	<u>2,112,737</u>	<u>139,277</u>
EXPENDITURES				
General Government	1,955,858			
Protection to Persons and Property	569,215		1,682,443	
General Health and Sanitation	322,939			
Social Services	16,722			
Recreation and Culture	392,318			
Roads		733,917		201,500
Debt Service	99,563	80,159	446,238	
Capital Projects	29,560	61,134		
Administration	650,749	94,912	393,632	
Total Expenditures	<u>4,036,924</u>	<u>970,122</u>	<u>2,522,313</u>	<u>201,500</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>898,590</u>	<u>22,029</u>	<u>(409,576)</u>	<u>(62,223)</u>
Other Financing Sources (Uses)				
Transfers Out	(255,712)			
Transfers In			90,712	
Total Other Financing Sources (Uses)	<u>(255,712)</u>		<u>90,712</u>	
Net Change in Fund Balances	642,878	22,029	(318,864)	(62,223)
Fund Balances - Beginning (Restated)	1,058,924	395,974	422,602	327,226
Fund Balances - Ending	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Non-Major Funds	Total Governmental Funds
\$ 144,406	\$ 3,492,401
	40,281
	108,636
	124,302
684,678	4,742,125
29,540	93,781
	412,626
37	24,188
<u>858,661</u>	<u>9,038,340</u>
	1,955,858
381,079	2,632,737
	322,939
	16,722
	392,318
	935,417
572,302	1,198,262
	90,694
<u>100,153</u>	<u>1,239,446</u>
<u>1,053,534</u>	<u>8,784,393</u>
<u>(194,873)</u>	<u>253,947</u>
	(255,712)
<u>165,000</u>	<u>255,712</u>
<u>165,000</u>	
(29,873)	253,947
36,417	2,241,143
<u>\$ 6,544</u>	<u>\$ 2,495,090</u>

The accompanying notes are an integral part of the financial statements.

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**SIMPSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

SIMPSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 253,947

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	733,755
Depreciation Expense	(677,474)
Assets Disposed, Net Book Value	(22,818)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds while principal payments are expensed in the governmental funds as a use of current financial resources these transactions, however, have no effect on net assets.

Financing Obligations Principal Payments	164,616
Bond Principal Payments	<u>503,177</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 955,203</u></u>
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SIMPSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 34,197
Total Assets	34,197
Net Assets	
Unrestricted	34,197
Total Net Assets	\$ 34,197

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 196,512
Total Operating Revenues	<u>196,512</u>
Operating Expenses	
Cost of Sales	108,044
Adult Education	850
Inmate Benefits	46,237
Personnel Costs	20,000
Educational and Recreational	1,121
Miscellaneous	<u>44,894</u>
Total Operating Expenses	<u>221,146</u>
Operating Income	<u>(24,634)</u>
Nonoperating Revenues (Expenses)	
Inmate Pay from State	14,470
Inmate Refunds on Accounts	<u>(14,470)</u>
Total Nonoperating Revenues (Expenses)	<u></u>
Change In Net Assets	(24,634)
Total Net Assets - Beginning (Restated)	<u>58,831</u>
Total Net Assets - Ending	<u><u>\$ 34,197</u></u>

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 196,512
Cost of Sales	(108,044)
Adult Education	(850)
Inmate Benefits	(46,237)
Personnel Costs	(20,000)
Educational and Recreational	(1,121)
Miscellaneous	(44,894)
Net Cash Provided by Operating Activities	<u>(24,634)</u>
Cash Flows from Noncapital Financing Activities	
Inmate Pay from State	14,470
Inmate Refunds on Accounts	(14,470)
Net Cash Used by Noncapital Financing Activities	<u></u>
Net Increase in Cash and Cash Equivalents	(24,634)
Cash and Cash Equivalents - July 1, 2008 (Restated)	<u>58,831</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 34,197</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ (24,634)</u>
Total Cash Provided by Operating Activities	<u><u>\$ (24,634)</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the Fund Balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Simpson County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

Simpson County Justice Center Corporation

Simpson County Justice Center Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Simpson County Judicial Center and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Simpson County Justice Center Corporation. Financial information for the Simpson County Justice Center Corporation is blended within Simpson County's financial statements. All activities of the Corporation are accounted for within a non-major (debt service) fund.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The financial data of the Simpson County Tourism Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the Fiscal Court’s primary government.

Simpson County Tourism Commission

Simpson County Fiscal Court established the Simpson County Tourism Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Simpson County. The Commission is composed of seven members appointed by the Simpson County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission’s governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission’s major source of revenue is transient room tax. On March 31, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax.

The Fiscal Court currently collects “3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like similar persons, groups or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses.” The Commission is to annually submit a request for funds to the Fiscal Court. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization’s reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission is presented discretely.

Audited financial statements for the Simpson County Tourism Commission, a discretely presented component unit, may be requested by contacting the Simpson County Tourism Commission, P.O. Box 737, Franklin, Kentucky, 42135.

C. Simpson County Elected Officials

Kentucky law provides for election of the below officials from the geographic area constituting Simpson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state government and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary source of revenue is mineral tax. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: 911 Dispatch Fund and Justice Center Corporation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and 911 Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

The Justice Center Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payments of long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund

The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

Detailed presentations of the financial statements for the Simpson County Tourism Commission, a major discretely presented component unit of the Simpson County Fiscal Court, are available from the separately issued financial statements of the Simpson County Tourism Commission.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, other equipment, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-60
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budgets be adopted for the Justice Center Corporation Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointment. Based on these criteria the following are considered related organizations of Simpson County Fiscal Court: Simpson County Water District and Franklin Simpson County Ambulance Service.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based on these criteria, the following is considered a joint venture of the Simpson County Fiscal Court: Franklin Simpson Parks Board, Inc.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Simpson County Fiscal Court: Franklin Simpson Industrial Development Authority, Franklin Simpson Planning and Zoning Commission, and Franklin Simpson Planning and Zoning Adjustment Board.

Note 2. Deposits

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2009, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, \$574 of the primary government's public funds were exposed to custodial risk because one bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$574

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC insurance.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2009 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,502,037	\$ 5,426	\$	\$ 1,507,463
Total Capital Assets Not Being Depreciated	1,502,037	5,426		1,507,463
Capital Assets, Being Depreciated:				
Buildings	14,678,296	50,784		14,729,080
Other Equipment	1,086,298	119,477	(85,330)	1,120,445
Vehicles and Equipment	1,219,327	136,906	(32,600)	1,323,633
Infrastructure	2,139,361	421,162		2,560,523
Total Capital Assets Being Depreciated	19,123,282	728,329	(117,930)	19,733,681
Less Accumulated Depreciation For:				
Buildings	(3,077,689)	(335,086)		(3,412,775)
Other Equipment	(422,560)	(71,419)	69,026	(424,953)
Vehicles and Equipment	(649,775)	(153,019)	26,086	(776,708)
Infrastructure	(250,250)	(117,950)		(368,200)
Total Accumulated Depreciation	(4,400,274)	(677,474)	95,112	(4,982,636)
Total Capital Assets, Being Depreciated, Net	14,723,008	50,855	(22,818)	14,751,045
Governmental Activities Capital Assets, Net	<u>\$16,225,045</u>	<u>\$ 56,281</u>	<u>\$ (22,818)</u>	<u>\$16,258,508</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 158,740
Protection to Persons and Property	328,091
General Health and Sanitation	8,467
Recreation and Culture	7,638
Roads, Including Depreciation of General Infrastructure Assets	<u>174,538</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 677,474</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity of the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 74,500	\$	\$	\$ 74,500
Total Capital Assets Not Being Depreciated	74,500			74,500
Capital Assets, Being Depreciated:				
Buildings	171,415			171,415
Other Equipment	36,059	22,501		58,560
Vehicles and Equipment	25,056	1,618		26,674
Total Capital Assets Being Depreciated	232,530	24,119		256,649
Less Accumulated Depreciation For:				
Buildings	(42,854)	(5,714)		(48,568)
Other Equipment	(7,828)	(2,433)		(10,261)
Vehicles and Equipment	(17,580)	(2,138)		(19,718)
Total Accumulated Depreciation	(68,262)	(10,285)		(78,547)
Total Capital Assets, Being Depreciated, Net	164,268	13,834		178,102
Capital Assets, Net	<u>\$ 238,768</u>	<u>\$ 13,834</u>	<u>\$</u>	<u>\$ 252,602</u>

Depreciation expense was charged to functions of the discretely presented major component unit as follows:

Simpson County Tourism Commission	<u>\$ 10,285</u>
Total Depreciation Expense - Component Unit	<u>\$ 10,285</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt

A. General Obligation Bonds, Series 2000

Simpson County Fiscal Court issued general obligation bonds, series 2000, dated September 1, 2000, for the purpose of the detention facility renovation and addition. On September 15, 2000, \$4,730,000 of general obligation bonds was issued at various interest rates. The maturity date of the general obligation bonds is September 1, 2021. As of June 30, 2009, bonds outstanding were \$3,580,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2010	\$ 200,000	\$ 176,425
2011	210,000	166,175
2012	220,000	155,425
2013	230,000	144,175
2014	240,000	132,425
2015-2019	1,425,000	461,264
2020-2022	<u>1,055,000</u>	<u>84,226</u>
Totals	<u>\$ 3,580,000</u>	<u>\$ 1,320,115</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

B. Mortgage Revenue Bonds, Series 2002

Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued Simpson County Justice Center Corporation First Mortgage Revenue Bonds, Series 2002, on July 1, 2002, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On July 10, 2002, \$7,460,000 of bonds was issued at various interest rates with accrued interest of \$7,778. The Corporation has entered into an agreement to lease the Simpson County Judicial Center to the Simpson County Fiscal Court for the amount of the bond payments. The Simpson County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the Simpson County Judicial Center. The maturity date of the mortgage revenue bonds is March 1, 2023. As of June 30, 2009, bonds outstanding were \$5,855,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 305,000	\$ 265,682
2011	320,000	254,092
2012	335,000	241,612
2013	345,000	228,212
2014	365,000	213,982
2015-2019	2,100,000	815,060
2020-2023	<u>2,085,000</u>	<u>267,206</u>
Totals	<u>\$ 5,855,000</u>	<u>\$ 2,285,846</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

C. Refunding Revenue Bonds, Series 2004

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The authority issued the bonds on October 1, 2004, for the purpose of advanced refunding of all the outstanding Revenue Bonds, Series 1994 and paying the associated costs of issuing the bonds. The maturity date of the bonds is October 1, 2014. As of June 30, 2009, bonds outstanding were \$136,856. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 19,363	\$ 8,301
2011	20,625	6,998
2012	21,970	5,608
2013	23,404	4,127
2014	24,933	2,548
2015	<u>26,561</u>	<u>867</u>
Totals	<u>\$ 136,856</u>	<u>\$ 28,449</u>

D. Fire Substations

On November 2, 2001, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of fire substations. The principal was \$250,000 at various interest rates for a period of 15 years, interest paid monthly and principal paid annually. The maturity date of the obligation is November 20, 2016. As of June 30, 2009, the principal balance was \$142,506. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 15,767	\$ 5,340
2011	16,630	4,936
2012	17,679	4,248
2013	18,795	3,510
2014	19,982	2,728
2015-2017	<u>53,653</u>	<u>3,056</u>
Totals	<u>\$ 142,506</u>	<u>\$ 23,818</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

E. Detention Facility Renovation and Addition

On April 18, 2002, The Simpson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of additional financing of the detention facility renovation and addition. The principal was \$500,000 at variable interest rates for a period of 21 years, interest paid semi-annually and principal paid annually. The maturity date of the obligation is June 1, 2023. As of June 30, 2009, the principal balance was \$395,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2010	\$ 20,000	\$ 21,442
2011	20,000	20,482
2012	20,000	19,502
2013	25,000	18,499
2014	25,000	17,160
2015-2019	140,000	64,710
2020-2023	<u>145,000</u>	<u>20,651</u>
Totals	<u>\$ 395,000</u>	<u>\$ 182,446</u>

F. Gravel Road Project

On October 28, 2005, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the paving of several county roads. The principal was \$450,000 at 3.95 percent interest for a period of ten years, interest is paid monthly and principal is paid annually. The maturity date is July 20, 2015. As of June 30, 2009, the principal balance was \$335,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2010	\$ 40,000	\$ 14,386
2011	45,000	12,175
2012	45,000	10,169
2013	50,000	7,825
2014	50,000	5,467
2015-2016	<u>105,000</u>	<u>3,116</u>
Totals	<u>\$ 335,000</u>	<u>\$ 53,138</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

G. Fire Truck 2007

On November 27, 2007, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a fire truck. The principal was \$210,000 at 4.397 percent interest for a period of ten years, interest paid monthly and principal paid annually. The maturity date of the obligation is December 20, 2017. As of June 30, 2009, the principal balance was \$184,775. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2010	\$ 17,896	\$ 7,656
2011	18,812	6,857
2012	19,774	6,085
2013	20,786	5,236
2014	21,849	4,347
2015-2018	<u>85,658</u>	<u>7,528</u>
Totals	<u>\$ 184,775</u>	<u>\$ 37,709</u>

H. Changes in Long-term Liabilities

Long-term liability activity of the primary government for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,770,000	\$	\$ 190,000	\$ 3,580,000	\$ 200,000
Revenue Bonds	6,305,032		313,177	5,991,855	324,363
Financing Obligations	<u>1,221,898</u>		<u>164,616</u>	<u>1,057,282</u>	<u>93,663</u>
Governmental Activities Long-term Liabilities	<u>\$11,296,930</u>	<u>\$</u>	<u>\$ 667,793</u>	<u>\$10,629,137</u>	<u>\$ 618,026</u>

Note 5. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Employee Retirement System (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$372,252, FY 2008 was \$475,706, and FY 2009 was \$433,501.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Insurance

For the fiscal year ended June 30, 2009, Simpson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Prior Year Adjustments

Beginning Fund Balance for the Road Fund has been restated for the prior year in order to balance. The effect of this change is a net decrease of \$678 in the Road Fund.

Beginning Net Assets for the Jail Canteen Fund has been restated for the prior year to combine the Jail Canteen Funds (Enterprise Funds) and the Inmate Account Funds (Fiduciary Funds). Net Assets of the Jail Canteen Fund increased \$18,287 to \$58,831.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Prior Year Adjustments (Continued)

Beginning Net Assets for the Governmental Activities has been restated for prior year in order to balance. The effect of this change is a net decrease of \$677.

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SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,287,000	\$ 3,287,000	\$ 3,347,995	\$ 60,995
In Lieu Tax Payments	35,000	35,000	40,281	5,281
Excess Fees	54,490	54,490	108,636	54,146
Licenses and Permits	115,500	115,500	113,832	(1,668)
Intergovernmental Revenue	1,128,545	1,208,545	1,046,800	(161,745)
Charges for Services	3,000	3,000	3,957	957
Miscellaneous	251,441	251,441	260,414	8,973
Interest	9,500	9,500	13,599	4,099
Total Revenues	4,884,476	4,964,476	4,935,514	(28,962)
EXPENDITURES				
General Government	2,062,802	2,014,751	1,955,858	58,893
Protection to Persons and Property	646,623	626,102	569,215	56,887
General Health and Sanitation	311,625	324,745	322,939	1,806
Social Services	17,000	17,000	16,722	278
Recreation and Culture	401,675	401,675	392,318	9,357
Debt Service	68,952	101,353	99,563	1,790
Capital Projects	153,941	168,941	29,560	139,381
Administration	543,808	664,859	650,749	14,110
Total Expenditures	4,206,426	4,319,426	4,036,924	282,502
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	678,050	645,050	898,590	253,540
OTHER FINANCING SOURCES (USES)				
Transfers Out	(678,050)	(678,050)	(255,712)	422,338
Total Other Financing Sources (Uses)	(678,050)	(678,050)	(255,712)	422,338
Net Changes in Fund Balances		(33,000)	642,878	675,878
Fund Balances - Beginning		33,000	1,058,924	1,025,924
Fund Balances - Ending	\$	\$	\$ 1,701,802	\$ 1,701,802

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
License and Permits	\$ 10,000	\$ 10,000	\$ 10,470	\$ 470
Intergovernmental Revenue	955,693	955,693	916,124	(39,569)
Charges for Services	22,000	22,000		(22,000)
Miscellaneous	1,000	47,396	61,975	14,579
Interest	1,500	1,500	3,582	2,082
Total Revenues	990,193	1,036,589	992,151	(44,438)
EXPENDITURES				
Roads	716,081	763,789	733,917	29,872
Debt Service	80,285	80,172	80,159	13
Capital Projects	165,000	177,284	61,134	116,150
Administration	119,827	106,344	94,912	11,432
Total Expenditures	1,081,193	1,127,589	970,122	157,467
Excess (Deficiency) of Revenues over Expenditures	(91,000)	(91,000)	22,029	113,029
Net Changes in Fund Balances	(91,000)	(91,000)	22,029	113,029
Fund Balances - Beginning	91,000	91,000	395,974	304,974
Fund Balances - Ending	\$	\$	\$ 418,003	\$ 418,003

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,090,774	\$ 2,090,774	\$ 1,961,265	\$ (129,509)
Charges for Services	51,500	51,500	60,284	8,784
Miscellaneous	90,540	90,540	90,237	(303)
Interest	1,500	1,500	951	(549)
Total Revenues	<u>2,234,314</u>	<u>2,234,314</u>	<u>2,112,737</u>	<u>(121,577)</u>
EXPENDITURES				
Protection to Persons and Property	1,794,458	1,803,458	1,682,443	121,015
Debt Service	446,535	447,942	446,238	1,704
Administration	459,035	448,628	393,632	54,996
Total Expenditures	<u>2,700,028</u>	<u>2,700,028</u>	<u>2,522,313</u>	<u>177,715</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>(465,714)</u>	<u>(465,714)</u>	<u>(409,576)</u>	<u>56,138</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>465,714</u>	<u>465,714</u>	<u>90,712</u>	<u>(375,002)</u>
Total Other Financing Sources (Uses)	<u>465,714</u>	<u>465,714</u>	<u>90,712</u>	<u>(375,002)</u>
Net Changes in Fund Balances			(318,864)	(318,864)
Fund Balances - Beginning			<u>422,602</u>	<u>422,602</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 103,738</u>	<u>\$ 103,738</u>

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ 133,258	\$ 33,258
Interest	1,500	1,500	6,019	4,519
Total Revenues	<u>101,500</u>	<u>101,500</u>	<u>139,277</u>	<u>37,777</u>
EXPENDITURES				
Roads	201,500	201,500	201,500	
Total Expenditures	<u>201,500</u>	<u>201,500</u>	<u>201,500</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(62,223)</u>	<u>37,777</u>
Net Changes in Fund Balances	(100,000)	(100,000)	(62,223)	37,777
Fund Balances - Beginning	<u>100,000</u>	<u>100,000</u>	<u>327,226</u>	<u>227,226</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 265,003</u>	<u>\$ 265,003</u>

**SIMPSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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SIMPSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

SIMPSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	911 Dispatch Fund	Justice Center Corporation Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,506	\$ 38	\$ 6,544
Total Assets	<u>6,506</u>	<u>38</u>	<u>6,544</u>
FUND BALANCES			
Reserved for:			
Encumbrances	100		100
Unreserved:			
Special Revenue Funds	6,406		6,406
Debt Service Fund		38	38
Total Fund Balances	<u>\$ 6,506</u>	<u>\$ 38</u>	<u>\$ 6,544</u>

The accompanying notes are an integral part of the financial statements.

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SIMPSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

SIMPSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	911 Dispatch Fund	Justice Center Corporation Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$ 144,406	\$	\$ 144,406
Intergovernmental Revenue	130,115	554,563	684,678
Charges for Services	29,540		29,540
Interest		37	37
Total Revenues	<u>304,061</u>	<u>554,600</u>	<u>858,661</u>
EXPENDITURES			
Protection to Persons and Property	381,079		381,079
Debt Service		572,302	572,302
Administration	100,153		100,153
Total Expenditures	<u>481,232</u>	<u>572,302</u>	<u>1,053,534</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>(177,171)</u>	<u>(17,702)</u>	<u>(194,873)</u>
Other Financing Sources (Uses)			
Transfers In	165,000		165,000
Total Other Financing Sources (Uses)	<u>165,000</u>		<u>165,000</u>
Net Change in Fund Balances	(12,171)	(17,702)	(29,873)
Fund Balances - Beginning	18,677	17,740	36,417
Fund Balances - Ending	<u>\$ 6,506</u>	<u>\$ 38</u>	<u>\$ 6,544</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Governmental Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 10, 2010. Our report was modified to include a reference to other auditors. Simpson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Simpson County Tourism Commission, as described in our report on Simpson County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Simpson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Simpson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Simpson County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2010

**SIMPSON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

**SIMPSON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY

The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

The Fiscal Court has a lack of segregation of duties over payroll. The County Treasurer performs the payroll function. We recommend the following segregation of duties or compensating controls be implemented over payroll to offset this internal control weakness:

- The County Judge/Executive or designee should compare payroll checks to individual earnings records to verify accuracy.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy. The independent person should then sign off on the bank reconciliations to verify completion.

County Judge/Executive Jim Henderson's Response: "I plan to utilize other office staff to assist me in creating further segregation of duties in the areas of payroll."

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LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SIMPSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SIMPSON COUNTY FISCAL COURT

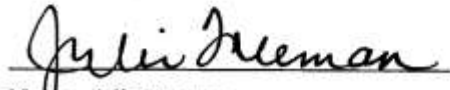
Fiscal Year Ended June 30, 2009

The Simpson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Jim Henderson", is written over a horizontal line.

Name: Jim Henderson

County Judge/Executive

A handwritten signature in black ink, appearing to read "Julie Freeman", is written over a horizontal line.

Name: Julie Freeman

County Treasurer

